

Financial *Status Report*

January 31, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through January 31, 2018. It compares revenues and expenditures for the first seven months of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

December 2017



1.40%



0.32%

Local Stock Prices



0.37%

Index of Leading Economic Indicators

Local Consumer Confidence



3.46%



1.68%

Building Permits

Help Wanted Advertising



1.30%



1.13%

Unemployment Insurance

National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.6 percent in November and another 1.4 percent in December. December's sharp rise was fueled by a huge gain in building permits, along with strong gains for initial claims for unemployment insurance, online help wanted advertising, and the outlook for the national economy. Local stock prices and consumer confidence were both up slightly as all six components were positive for the month.

December's gain was the largest since March 2015 and pushed the USD Index close to an all-time high (the Index topped the 150 level for a few months back in 2000). It also marked the 14th straight month in which the Index was either positive or unchanged. So the outlook for the local economy remains positive through the end of 2018. Wage and salary employment growth of about 25,000 is expected for next year. That number has been higher in the past, but with the local unemployment rate at an all-time low, job growth could be limited by a shortage of workers. If wages increase due to the tight labor market, that might help in attracting workers to the region and help with housing affordability.

A huge surge in December pushed residential units authorized by building permits over the 10,000 mark for the third year in a row. Total residential units authorized were down by only 2.4 percent compared to 2016. Single-family units authorized finished the year up 73 percent for 2017, which pushed the number of single-family units authorized over the 4,000 level for the first time since 2006. This gain though was offset by a 24 percent drop in multi-family units authorized. Both labor market variables were up and up sharply in December. Job loss is not a problem as initial claims for unemployment insurance fell to their lowest level since April 2006. In November, help wanted advertising turned positive for the first time since February, and December's big gain was the best in almost two years. The net result was that the seasonally adjusted unemployment rate fell to all all-time low of 3.1 percent in November before edging up to 3.3 percent in December. This compares to a rate of 3.7 percent in October and 4.4 percent in December 2016. Local stock prices finished the year on a positive note and ended the year up 19.7 percent. This compares with gains of 25.1 percent, 19.4 percent, and 28.2 percent for the Dow Jones Industrial Average, the S&P 500, and the NASDAQ Composite Indexes respectively. Although the gains were not as spectacular as some of the other components, consumer confidence registered its 18th consecutive monthly gain. The outlook for the national economy continues to be strong. The national Index of Leading Economic Indicators has now increased or been unchanged for 16 straight months. In terms of macroeconomic data, the "advance" estimate of GDP growth for the fourth quarter came in at an annualized growth rate of 2.6 percent, which compares to gains of 1.2 percent, 3.1 percent, and 3.2 percent for the first three quarters of 2017.¹

General Fund Revenues



Property Taxes (\$39.3 million) – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect a 13 percent increase over Fiscal Year 2016-17. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects

continued improvement in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since, the

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in November and Up Sharply in December*, January 31, 2018.

Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reasons that property taxes for the first seven months of the fiscal year have increased by 13 percent as compared to the prior fiscal year are:

- Current taxes are up by \$4.4 million or 14 percent due to an increase in assessed values and a timing difference in the payment of property taxes. Due to the recent federally approved tax plan, some people in California paid for their first and second installments earlier than usual in order to take advantage of the current tax law.
- Aircraft taxes are down by \$289,000 due to timing differences.
- Supplemental taxes are up by \$193,000 due to an increase in property resales.
- Payments for previous years' taxes are up by \$98,000 due to an increase in the collection of past due tax bills.
- Unitary taxes are up by \$27,000 due to timing differences and an increase in assessed values.
- Property taxes received from the former redevelopment area (both the Village and South Coastal Carlsbad areas) are up by \$92,000 due to an increase in assessed values in the two project areas.



Sales Taxes (\$20.9 million) – For the first seven months of the fiscal year, sales tax revenues are \$992,000 (or five percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second and third calendar quarters of 2017 (up 5.0 percent and 3.4 percent respectively) as well as the first two advances of the city's fourth calendar quarter of 2017 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

For sales occurring in the third calendar quarter of 2017 (the most recent data available), key gains were seen in restaurants, new auto sales, heavy industry, light industry, and department stores. During the same period, key declines were seen in miscellaneous retail, apparel stores, energy sales, and chemical products. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 69 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$14.4 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first seven months of the fiscal year reflect an increase of \$787,000, six percent more than the previous year. Higher room

rates and occupancy accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of December 2017.

Currently, there are 4,381 hotel rooms, 668 timeshares and 161 registered short-term vacation rentals). The average occupancy of hotel rooms over the most recent 12 months has been 72 percent, three percentage points higher than last year's average at this time.



Development Related Revenues (\$3.3 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a moderate increase for the first seven months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check

fees are one of the first fees paid during the initial stages of development. Some of the activity in January included residential development at the Cannon Road Senior Housing project and a four story townhouse project on State Street. Industrial/commercial building activity included the West Coast Self Storage facility, the Home2 Hotel Suites, the Four Seasons Residence Club parking lot, and the continued expansion of the ViaSat Campus.

One source of development related revenue is building permits, which are up six percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$257.8 million, while it was \$214.7 million in the previous fiscal year, a 20.1 percent increase. In January, Carlsbad issued building permits for eight residential dwelling units, a decrease from the 67 residential dwelling units permitted in December. In the northeast quadrant, building permits for five residential dwelling units were issued as part of Phase 7 at the Bluffs and three residential dwelling units were issued as part of Phase 10 at the Vistas, both in Robertson Ranch. For the current fiscal year, 245 residential permits have been issued, as compared to 572 permits issued during the same period last year.

Year-to-date, there has been 969,565 square feet of commercial/industrial permits issued, as compared to 224,860 square feet of commercial/industrial permits issued during the same period last year.



Business License Tax (\$2.8 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are up \$570,000, or 25 percent, higher than the previous fiscal year. This is primarily due to a significant number of delinquent payments being made as well as timing differences as compared to the same period last year.

There are currently 10,007 licensed businesses operating within the city, 254 less than the prior year. The majority of taxed businesses (6,748 businesses) are located in Carlsbad, with 2,512 of these businesses home-based.



Income from Investments and Property (\$2.6 million) – For the first seven months of the fiscal year, income from investments and property is up \$317,000 compared to the previous fiscal year.

Interest income is up \$256,000 for the year due to the combination of a 7.5 percent decrease in the average daily cash balance combined with a 23.7 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.194 percent last fiscal year to 1.477 percent in the current fiscal year).

Income from property sales and rentals is up by \$61,000 for the year, primarily due an increase in facility and pool lane rentals, and the sale of city property at public auctions.



Franchise Taxes (\$2 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$74,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$111,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$72,000 is due to more commercial and residential accounts

coming online from new development activity within the city. Additionally, revenue for the fiber optic antennae system is down \$37,000 due to a re-negotiation of the lease resulting in a delay of the quarterly payments.

Approximately 43 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2018.



Recreation Fees (\$1.9 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by five percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to help monitor and improve program performance.



Interdepartmental Charges (\$1.8 million) – Interdepartmental charges are \$178,000, or 9 percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 21 percent, or \$154,000, due to recent staffing vacancies); reimbursed work from other funds (up \$11,000 due to timing differences); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by

departments within the General Fund (down 2.9 percent, or \$35,000), the result of an updated cost allocation plan.



Ambulance Fees (\$1.5 million) – The city bills any individual who is transported in one of the city's ambulances. Through January 2018, receipts from ambulance fees are up \$75,000, or five percent, compared to last fiscal year. Fees collected should have been higher due to the large increase in the number of billable transported patients; however, there were less write-offs for uncollectable ambulance fees in the prior fiscal year. The number of billable

transported patients for the first seven months of Fiscal Year 2017-18 (3,133) versus Fiscal Year 2016-17 (2,657) has increased by 18 percent.



Other Revenue Sources (\$725,000) – Other revenue sources have decreased by \$7,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease

to date represents an increase in prior year fee refunds, a decrease in loss recovery reimbursements, and a decrease in administrative cost reimbursements received for managing developer contributions from developers. These decreases were partially offset by an increase in contributions for special studies.



Transfer Taxes (\$629,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased modestly, due to strong housing and industrial/commercial development throughout the city.



Other Licenses and Permits (\$613,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November

2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown an increase for the year, while building permit revenues would have shown a smaller increase for the year.



Other Charges or Fees (\$535,000) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc.

For the first seven months of the fiscal year, revenues are down by \$12,000 but higher than the expected budget at this time of \$276,000. This decrease is due to a drop fire inspection fees and false alarm fees. This decrease was partially offset by an increase in the volume of mutual aid reimbursements received this fiscal year as compared to last fiscal year at this time.



Other Intergovernmental Revenues (\$440,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$440,000 received this year are the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), Police Officer Standard Training (POST) reimbursements, state mandated cost reimbursements, Department of Justice vice/narcotics overtime reimbursements, a San Diego Law Enforcement

Foundation grant, a federal fire training grant, a grant from SDG&E to purchase heavy weather coats for the CERT program, and senior nutrition grants. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year.



Fines and Forfeitures (\$410,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due to a large drop in revenues derived from moving violations plus smaller decreases in revenues received from parking citations and miscellaneous city fines. These decreases were partially offset by additional code enforcement violation billings.



Homeowners' Exemptions (\$172,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.

Expenditures

Total General Fund expenditures and encumbrances through the month of January 2018 are \$96.3 million, compared to \$109.6 million at the same time last year. This leaves \$83.9 million, or 46.6 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 42.8 percent available. This difference is attributable to some very large transfers out of the General Fund that were done at this time last year. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at January 31, 2018 is 44.4 percent, slightly higher than the 43.6 percent available at January 31, 2017.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
 - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
 - General inflationary adjustments of two percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General decreases in the internal service charges
 - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
 - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of January 31, 2018, \$6,714 has been authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$1,500,000		
USES:			
Special Events Grant for In-kind Services for the Lancer Day Homecoming Parade	(\$676)	10/31/2017	City Manager
Community Spirit Grant for In-kind Services for the Veterans Day Remembrance	(126)	12/13/2017	City Manager
Community Spirit Grant for In-kind Services for the Carlsbad Christmas Bureau	(1,409)	12/22/2017	City Manager
Winning Teams Grant for the Carlsbad High School Lancers Dance Team	<u>(4,503)</u>	01/17/2018	City Manager
TOTAL USES	<u>(6,714)</u>		
AVAILABLE BALANCE	<u><u>\$1,493,286</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 01/31/18	ACTUAL FY 2017 AS OF 01/31/17	ACTUAL FY 2018 AS OF 01/31/18	CHANGE FROM YTD 2017 TO YTD 2018	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$36,191,476	\$34,853,696	\$39,349,155	\$4,495,459	13%
SALES TAX	20,077,225	19,862,924	20,854,609	991,685	5%
TRANSIENT OCCUPANCY TAX	13,568,258	13,623,922	14,411,193	787,271	6%
FRANCHISE TAX	2,084,313	2,069,295	1,995,296	(73,999)	-4%
BUSINESS LICENSE TAX	2,632,877	2,235,564	2,805,524	569,960	25%
TRANSFER TAX	476,928	586,049	629,217	43,168	7%
TOTAL TAXES	75,031,077	73,231,450	80,044,994	6,813,544	9%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	50,591	0	(50,591)	0%
HOMEOWNERS EXEMPTIONS	174,496	174,099	172,251	(1,848)	-1%
OTHER	240,149	314,459	440,045	125,586	40%
TOTAL INTERGOVERNMENTAL	414,645	539,149	612,296	73,147	14%
LICENSES AND PERMITS					
BUILDING PERMITS	1,010,155	1,173,739	1,243,166	69,427	6%
OTHER LICENSES & PERMITS	461,210	836,272	612,736	(223,536)	-27%
TOTAL LICENSES & PERMITS	1,471,366	2,010,011	1,855,902	(154,109)	-8%
CHARGES FOR SERVICES					
PLANNING FEES	415,531	632,270	511,363	(120,907)	-19%
BUILDING DEPARTMENT FEES	221,376	457,846	740,133	282,287	62%
ENGINEERING FEES	442,654	764,392	799,440	35,048	5%
AMBULANCE FEES	1,518,251	1,399,900	1,474,504	74,604	5%
RECREATION FEES	2,028,275	2,019,585	1,928,328	(91,257)	-5%
OTHER CHARGES OR FEES	276,031	546,458	534,921	(11,537)	-2%
TOTAL CHARGES FOR SERVICES	4,902,117	5,820,451	5,988,689	168,238	3%
FINES AND FORFEITURES	439,146	415,747	410,332	(5,415)	-1%
INCOME FROM INVESTMENTS & PROPERTY	2,262,646	2,254,622	2,572,092	317,470	14%
INTERDEPARTMENTAL CHARGES	1,844,288	1,958,636	1,780,430	(178,206)	-9%
OTHER REVENUE SOURCES	691,982	731,636	724,862	(6,774)	-1%
TRANSFERS IN	10,000	10,000	11,500	1,500	15%
TOTAL GENERAL FUND	\$87,067,267	\$86,971,702	\$94,001,097	\$7,029,395	8%
(1)					
(1) Calculated General Fund revenues are 8% above estimates as of January 31, 2018.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2017-18	AS OF 01/31/18		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$552,233	\$255,374	\$296,859	53.8%
CITY MANAGER	2,906,114	1,401,801	1,504,313	51.8%
COMMUNITY OUTREACH AND ENGAGEMENT	2,189,463	1,305,641	883,822	40.4%
CITY CLERK AND RECORDS MANAGEMENT	1,120,294	558,687	561,607	50.1%
CITY ATTORNEY	1,829,486	930,990	898,496	49.1%
CITY TREASURER	262,059	146,693	115,366	44.0%
TOTAL POLICY/LEADERSHIP	8,859,649	4,599,186	4,260,463	48.1%
ADMINISTRATIVE SERVICES				
FINANCE	5,676,082	2,993,712	2,682,370	47.3%
HUMAN RESOURCES	4,214,607	2,244,956	1,969,651	46.7%
TOTAL INTERNAL SERVICES	9,890,689	5,238,668	4,652,021	47.0%
PUBLIC SAFETY				
POLICE	39,136,997	21,961,494	17,175,503	43.9%
FIRE	23,235,914	13,592,273	9,643,641	41.5%
TOTAL PUBLIC SAFETY	62,372,911	35,553,767	26,819,144	43.0%
COMMUNITY SERVICES				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,216,891	6,721,085	5,495,806	45.0%
HOUSING AND NEIGHBORHOOD SERVICES	1,564,115	981,076	583,039	37.3%
LIBRARY AND CULTURAL ARTS	14,164,659	7,079,743	7,084,916	50.0%
PARKS AND RECREATION	18,520,579	11,137,781	7,382,798	39.9%
TOTAL COMMUNITY SERVICES	46,466,244	25,919,685	20,546,559	44.2%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	3,231,692	967,906	2,263,786	70.0%
ENVIRONMENTAL MANAGEMENT	876,399	476,659	399,740	45.6%
GENERAL SERVICES	10,346,965	5,904,307	4,442,658	42.9%
TRANSPORTATION	7,398,286	4,392,988	3,005,298	40.6%
TOTAL PUBLIC WORKS	21,853,342	11,741,860	10,111,482	46.3%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	16,862,386	799,379	16,063,007	95.3%
TRANSFERS OUT	12,455,000	12,455,000	0	0.0%
CONTINGENCY	1,493,286	0	1,493,286	100.0%
TOTAL NON-DEPT & CONTINGENCY	30,810,672	13,254,379	17,556,293	57.0%
TOTAL GENERAL FUND	\$180,253,507	\$96,307,545	\$83,945,962	46.6%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
(c) Amount available would be 42.8% if funds were spent in the same proportion as the previous year.				

Water Enterprise

WATER OPERATIONS FUND					
JANUARY 31, 2018					
	BUDGET FY 2017-18	YTD (*) 01/31/2017	YTD (*) 01/31/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 35,300,000	\$ 22,322,478	\$ 25,313,260	\$ 2,990,782	13.4%
INTEREST	251,000	156,358	213,158	56,800	36.3%
MISC. SERVICE CHARGES	296,000	176,775	189,111	12,336	7.0%
PROPERTY TAXES	3,605,000	1,996,008	2,315,439	319,431	16.0%
FINES, FORFEITURES & PENALTIES	260,000	161,335	186,102	24,767	15.4%
OTHER REVENUES	648,000	970,210	385,018	(585,192)	-60.3%
TOTAL OPERATING REVENUE	40,360,000	25,783,164	28,602,088	2,818,924	10.9%
EXPENSES:					
STAFFING	3,681,630	2,130,800	2,150,430	19,630	0.9%
INTERDEPARTMENTAL SERVICES	2,243,082	1,303,700	1,259,965	(43,735)	-3.4%
PURCHASED WATER	22,800,000	12,371,228	14,653,531	2,282,303	18.4%
MWD/CWA FIXED CHARGES	6,800,000	3,946,496	3,821,105	(125,391)	-3.2%
OUTSIDE SERVICES/MAINTENANCE	1,643,326	202,449	434,796	232,347	114.8%
DEPRECIATION/REPLACEMENT	3,910,000	2,220,929	2,280,833	59,904	2.7%
MISCELLANEOUS EXPENSES	1,136,641	460,338	684,148	223,810	48.6%
CAPITAL OUTLAY	31,530	3,839	13,365	9,526	248.1%
TOTAL OPERATING EXPENSES	42,246,209	22,639,779	25,298,173	2,658,394	11.7%
OPERATING INCOME/(LOSS)	\$ (1,886,209)	\$ 3,143,385	\$ 3,303,915	\$ 160,530	5.1%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 4.85 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2017, coupled with a nine percent increase in water sales during the first seven months of the fiscal year due to less restrictive water usage constraints.
- An 11.5 percent increase in the average cash balance combined with a 23.7 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in new account charges and quick turn-on revenues.
- The increase in property taxes are the result of an increase in assessed values and timing differences.
- The increase in fines and forfeitures is due primarily to an increase in late charges revenue.
- The decrease in other revenues is due to a prior year reimbursement from Poseidon related to third party consultant costs in connection with the construction of the desalinated water pipeline.

Expenses



- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 8.8 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in software services to support remote meter reading along with new State Water Resources Control Board Public Water System fees have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field account for the increase in capital outlay expenses.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND JANUARY 31, 2018					
	BUDGET FY 2017-18	YTD (*) 01/31/2017	YTD (*) 01/31/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,035,000	8,014,191	8,098,671	84,480	1.1%
INTEREST	75,000	58,859	85,560	26,701	45.4%
OTHER REVENUES	290,000	150,406	139,424	(10,982)	-7.3%
TOTAL OPERATING REVENUE	13,400,000	8,223,456	8,323,655	100,199	1.2%
EXPENSES:					
STAFFING	2,333,179	1,168,546	1,216,927	48,381	4.1%
INTERDEPARTMENTAL SERVICES	1,323,235	743,733	767,483	23,750	3.2%
ENCINA PLANT SERVICES	3,469,456	1,917,984	1,974,990	57,006	3.0%
OUTSIDE SERVICES/MAINTENANCE	750,723	141,487	149,932	8,445	6.0%
DEPRECIATION/REPLACEMENT	3,650,000	2,113,111	2,129,167	16,056	0.8%
MISCELLANEOUS EXPENSES	713,795	273,350	318,016	44,666	16.3%
CAPITAL OUTLAY	238,261	3,277	237,225	233,948	7139.1%
TOTAL OPERATING EXPENSES	12,478,649	6,361,488	6,793,740	432,252	6.8%
OPERATING INCOME/LOSS	921,351	1,861,968	1,529,915	(332,053)	-17.8%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues

1%

- Charges for current services are up slightly due to increases in development.
- Cash balances in the fund have increased by 20.1 percent from last year, combined with an increase in the average yield on the portfolio of 23.7 percent, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses

7%

- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Increases in outside services/maintenance are primarily the result of asphalt repairs and software maintenance services.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Increases in miscellaneous expenses are primarily due to the acquisition of asset management software.
- The purchase of a new vacuor truck is the primary driver in the capital outlay variance.